

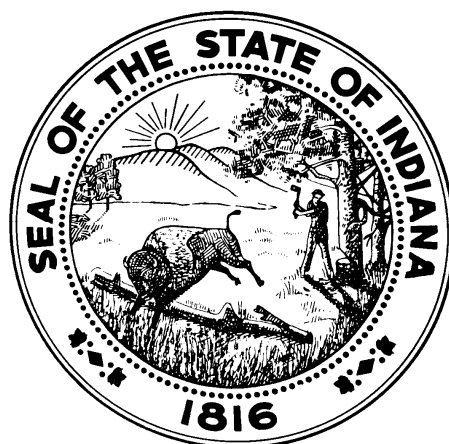
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2007

CITY OF MARION

GRANT COUNTY, INDIANA



FILED
07/17/2008

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Cindy Wright	01-01-07 to 12-31-08
Clerk	Kathleen A. Kiley	01-01-04 to 12-31-11
Mayor	Wayne W. Seybold	01-01-04 to 12-31-11
President of the Board of Public Works and Safety	Ray Harris	01-01-07 to 12-31-08
President of the Common Council	David K. Homer Reggial E. Nevels	01-01-07 to 12-31-07 01-01-08 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

TO: THE OFFICIALS OF THE CITY OF MARION, GRANT COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marion (City), as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2007, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated June 9, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

The Schedules of Funding Progress and Schedule of Contributions From the Employer and Other Contributing Entities, as listed in the Table of Contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the Table of Contents, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Long-Term Debt has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

June 9, 2008



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE CITY OF MARION, GRANT COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marion (City), as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 9, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the City's management, Common Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 9, 2008

CITY OF MARION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2007

Functions/Programs	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 4,842,637	\$ 472,485	\$ 549,701	\$ 744,486	\$ (3,075,965)	\$ -	\$ (3,075,965)
Public safety	12,681,466	194,645	95,095	-	(12,391,726)	-	(12,391,726)
Highways and streets	3,748,866	6,430	1,200,715	526,936	(2,014,785)	-	(2,014,785)
Sanitation	1,354,155	-	-	-	(1,354,155)	-	(1,354,155)
Economic development	892,723	-	-	2,712,958	1,820,235	-	1,820,235
Culture and recreation	6,633,599	149,581	135,590	1,011,631	(5,336,797)	-	(5,336,797)
Interest on long-term debt	774,533	-	-	-	(774,533)	-	(774,533)
Total governmental activities	30,927,979	823,141	1,981,101	4,996,011	(23,127,726)	-	(23,127,726)
Business-type activities:							
Water	5,260,050	4,914,726	-	-	-	(345,324)	(345,324)
Wastewater	2,563,864	2,220,100	-	-	-	(343,764)	(343,764)
Storm water	1,970,277	1,965,892	-	-	-	(4,385)	(4,385)
Total business-type activities	9,794,191	9,100,718	-	-	-	(693,473)	(693,473)
Total primary government	\$ 40,722,170	\$ 9,923,859	\$ 1,981,101	\$ 4,996,011	(23,127,726)	(693,473)	(23,821,199)
General receipts:							
Property taxes					13,319,670	-	13,319,670
Other local sources					4,616,906	-	4,616,906
Grants and contributions not restricted to specific programs					308,839	-	308,839
Unrestricted investment earnings					554,379	310,432	864,811
Total general receipts					18,799,794	310,432	19,110,226
Change in net assets					(4,327,932)	(383,041)	(4,710,973)
Net assets - beginning					17,863,248	5,677,347	23,540,595
Net assets - ending					\$ 13,535,316	\$ 5,294,306	\$ 18,829,622
<u>Assets</u>							
Cash and investments					\$ 10,070,148	\$ 510,591	\$ 10,580,739
Restricted assets:							
Cash and investments					3,465,168	4,783,715	8,248,883
Total assets					\$ 13,535,316	\$ 5,294,306	\$ 18,829,622
<u>Net Assets</u>							
Restricted for:							
Highways and streets					\$ 745,076	\$ -	\$ 745,076
Culture and recreation					371,793	-	371,793
Debt service					1,523,111	1,413,566	2,936,677
Construction					748,497	-	748,497
Other purposes					76,691	3,370,149	3,446,840
Unrestricted					10,070,148	510,591	10,580,739
Total net assets					\$ 13,535,316	\$ 5,294,306	\$ 18,829,622

The notes to the financial statements are an integral part of this statement.

CITY OF MARION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2007

	General	2005 Park Bond	Industrial Development	Other Governmental Funds	Totals
Receipts:					
Taxes	\$ 10,878,112	\$ -	\$ -	\$ 2,441,558	\$ 13,319,670
Licenses and permits	108,242	-	-	12,975	121,217
Intergovernmental	6,234,179	-	2,366,068	2,708,672	11,308,919
Charges for services	277,117	-	-	267,448	544,565
Fines and forfeits	111,978	-	-	20,419	132,397
Other	635,234	247,664	-	218,879	1,101,777
Total receipts	18,244,862	247,664	2,366,068	5,669,951	26,528,545
Disbursements:					
General government	4,033,294	-	-	348,667	4,381,961
Public safety	12,327,278	-	-	193,981	12,521,259
Highways and streets	955,900	-	-	2,406,230	3,362,130
Sanitation	1,354,155	-	-	-	1,354,155
Economic development	209,996	-	283,272	399,455	892,723
Culture and recreation	873,407	-	-	1,206,658	2,080,065
Debt service:					
Principal	160,207	-	-	277,699	437,906
Interest	32,802	-	-	741,731	774,533
Capital outlay:					
General government	-	-	-	174,200	174,200
Highways and streets	-	-	-	242,800	242,800
Culture and recreation	-	4,553,534	-	-	4,553,534
Total disbursements	19,947,039	4,553,534	283,272	5,991,421	30,775,266
Excess (deficiency) of receipts over disbursements	(1,702,177)	(4,305,870)	2,082,796	(321,470)	(4,246,721)
Other financing sources (uses):					
Transfers in	200,000	500,000	-	300,000	1,000,000
Transfers out	(200,000)	(500,000)	-	(300,000)	(1,000,000)
Other receipts	-	-	-	71,502	71,502
Total other financing sources (uses)	-	-	-	71,502	71,502
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,702,177)	(4,305,870)	2,082,796	(249,968)	(4,175,219)
Cash and investment fund balance - beginning	6,659,381	4,676,366	625,145	5,672,952	17,633,844
Cash and investment fund balance - ending	\$ 4,957,204	\$ 370,496	\$ 2,707,941	\$ 5,422,984	13,458,625
Amounts reported for governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis are different because: Internal services funds are used by management to charge the costs of certain services to individual funds. The assets of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.					76,691
Net assets of governmental activities					\$ 13,535,316
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ 4,957,204	\$ -	\$ 2,707,941	\$ 2,405,003	\$ 10,070,148
Restricted assets:					
Cash and investments	-	370,496	-	3,017,981	3,388,477
Total cash and investment assets - December 31	\$ 4,957,204	\$ 370,496	\$ 2,707,941	\$ 5,422,984	\$ 13,458,625
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Highways and streets	\$ -	\$ -	\$ -	\$ 745,076	\$ 745,076
Culture and recreation	-	-	-	371,793	371,793
Debt service	-	-	-	1,523,111	1,523,111
Construction	-	370,496	-	378,001	748,497
Unrestricted	4,957,204	-	2,707,941	2,405,003	10,070,148
Total cash and investment fund balance - December 31	\$ 4,957,204	\$ 370,496	\$ 2,707,941	\$ 5,422,984	\$ 13,458,625

The notes to the financial statements are an integral part of this statement.

CITY OF MARION
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2007

	Water Utility	Wastewater Utility	Storm Water Utility	Totals	Internal Service Funds
Operating receipts:					
Residential, commercial and industrial sales	\$ 4,202,978	\$ 2,135,970	\$ 1,851,675	\$ 8,190,623	\$ -
Fire protection receipts	592,771	-	-	592,771	-
Other	27,228	50,459	73,806	151,493	4,552,280
Total operating receipts	4,822,977	2,186,429	1,925,481	8,934,887	4,552,280
Operating disbursements:					
Cost of sales and services	1,167,050	579,479	151,004	1,897,533	310,423
Equipment and capital improvements	1,504,098	331,611	617,149	2,452,858	-
Insurance claims and premiums	114,971	94,363	45,373	254,707	-
Other	364,508	-	7,769	372,277	-
Salaries and wages	918,889	1,114,338	556,277	2,589,504	-
Employee pensions and benefits	288,583	388,321	202,746	879,650	-
Insurance benefits	-	-	-	-	4,394,570
Total operating disbursements	4,358,099	2,508,112	1,580,318	8,446,529	4,704,993
Excess (deficiency) of operating receipts over operating disbursements	464,878	(321,683)	345,163	488,358	(152,713)
Nonoperating receipts (disbursements):					
Interest and investment receipts	134,406	98,812	77,214	310,432	-
Miscellaneous receipts	91,749	33,671	40,411	165,831	-
Debt service of principal	(815,000)	-	(279,394)	(1,094,394)	-
Interest and investment disbursement	(43,043)	-	(110,565)	(153,608)	-
Miscellaneous disbursements	(43,908)	(55,752)	-	(99,660)	-
Total nonoperating receipts (disbursements)	(675,796)	76,731	(272,334)	(871,399)	-
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	(210,918)	(244,952)	72,829	(383,041)	(152,713)
Cash and investment fund balance - beginning	2,209,688	2,007,805	1,459,854	5,677,347	229,404
Cash and investment fund balance - ending	\$ 1,998,770	\$ 1,762,853	\$ 1,532,683	\$ 5,294,306	\$ 76,691
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ 185,627	\$ 173,816	\$ 151,148	\$ 510,591	\$ -
Restricted assets:					
Cash and investments	1,813,143	1,589,037	1,381,535	4,783,715	76,691
Total cash and investment assets - December 31	\$ 1,998,770	\$ 1,762,853	\$ 1,532,683	\$ 5,294,306	\$ 76,691
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Debt service	\$ 569,696	\$ -	\$ 843,870	\$ 1,413,566	\$ -
Other purposes	1,243,447	1,589,037	537,665	3,370,149	76,691
Unrestricted	185,627	173,816	151,148	510,591	-
Total cash and investment fund balance - December 31	\$ 1,998,770	\$ 1,762,853	\$ 1,532,683	\$ 5,294,306	\$ 76,691

The notes to the financial statements are an integral part of this statement.

CITY OF MARION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2007

	Pension Trust Funds	Private-Purpose Trust Funds	Agency Funds
Additions:			
Contributions:			
Employer	\$ 2,569,491	\$ -	\$ -
Other	3,151	17,756	-
Total contributions	<u>2,572,642</u>	<u>17,756</u>	<u>-</u>
Agency fund additions	<u>-</u>	<u>-</u>	<u>15,385,700</u>
Total additions	<u>2,572,642</u>	<u>17,756</u>	<u>15,385,700</u>
Deductions:			
Benefits	2,657,076	-	-
Administrative and general	14,571	23,549	-
Agency fund deductions	<u>-</u>	<u>-</u>	<u>14,968,346</u>
Total deductions	<u>2,671,647</u>	<u>23,549</u>	<u>14,968,346</u>
Excess (deficiency) of total additions over total deductions	(99,005)	(5,793)	417,354
Cash and investment fund balance - beginning	<u>1,572,976</u>	<u>22,886</u>	<u>664,229</u>
Cash and investment fund balance - ending	<u>\$ 1,473,971</u>	<u>\$ 17,093</u>	<u>\$ 1,081,583</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MARION
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, storm water and urban redevelopment and housing.

The City (primary government) is the financial reporting entity.

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The 2005 park bond fund accounts for bond proceeds which are used to construct and equip certain recreational capital improvements.

The industrial development fund, established by resolution 17-2001, recaptures state taxes collected and is used to make qualified investments in certain designated areas within the City.

The City reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

CITY OF MARION
NOTES TO FINANCIAL STATEMENTS
(Continued)

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations, and collection systems.

The storm water utility fund accounts for the operation of the storm water collection system.

Additionally, the City reports the following fund types:

The internal service funds account for fuel sales and health insurance provided to other departments on a cost-reimbursement basis.

The pension trust funds account for the activities of the 1925 police and 1937 fire pension funds, which accumulate resources for pension benefit payments.

The private-purpose trust funds report trust arrangements under which principal and income benefit public safety issues.

Agency funds account for assets held by the City as an agent for federal and state revenue agencies and serve as control of accounts for cash transactions during the time they are a liability to the City.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City and its proprietary funds. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

CITY OF MARION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

CITY OF MARION
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.

CITY OF MARION
NOTES TO FINANCIAL STATEMENTS
(Continued)

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Disbursements in Excess of Appropriations

For the year ended December 31, 2007, disbursements exceeded budgeted appropriations in the following fund by the amount below:

<u>Fund</u>	<u>2007</u>
Motor Vehicle Highway	<u>\$ 20,152</u>

These disbursements were funded by greater than anticipated revenues.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

CITY OF MARION
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13.

Investment Policies

Indiana Code 5-13-9 authorizes the City to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the City to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the City and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the City may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the City's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk for investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City must follow state statute and limit the stated final maturities of the investments to no more than two years.

CITY OF MARION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

Foreign Currency Risk

The City does not have a formal policy in regards to foreign currency risk.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2007, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2007</u>
General Fund	2005 Park Bond Fund	\$ 200,000
2005 Park Bond Fund	General Fund	200,000
2005 Park Bond Fund	Other governmental funds	300,000
Other governmental funds	2005 Park Bond Fund	<u>300,000</u>
Total		<u>\$ 1,000,000</u>

The City typically uses transfers for cash flow purposes as provided by various statutory provisions.

IV. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

CITY OF MARION
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Conduit Debt Obligation

From time to time, the City has issued Economic Development Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying notes to the financial statements.

As of December 31, 2007, there were five series of Economic Development Revenue Bonds outstanding with an aggregate principal amount payable of \$5,518,000.

2003 Prime PVC, Inc	\$ 228,000
2005 Winterfield Project Series A	500,000
2005 Dunhams	1,065,000
2006 Active Products, LLC Series A	2,920,000
2006 JSG Processing, Inc Series B	<u>445,000</u>
Total	<u>\$ 5,158,000</u>

C. Postemployment Benefits

In addition to the pension benefits described below, the City provides postemployment health benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the City on or after 20 years of service or incurs a job related disability. Currently, 34 retirees meet these eligibility requirements. The City provides 100% of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended December 31, 2007, disbursements of \$316,710 were recognized for postemployment benefits.

D. Loans Receivable – Indiana Department of Commerce

Year of Loan	Borrower	Original Loan Amount	Interest Rate	Outstanding Balance December 31, 2007
1999	Carroll Contair	\$ 200,000	5.25%	<u>\$ 60,026</u>

E. Rate Structure – Enterprise Funds

Water Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on March 30, 2005.

CITY OF MARION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Wastewater Utility

The current rate structure was approved by the Common Council on December 17, 1991.

Storm Water Utility

The current rate structure was approved by the Common Council on November 16, 1994.

F. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available.

CITY OF MARION
NOTES TO FINANCIAL STATEMENTS
(Continued)

b. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The City's annual pension cost and related information as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

c. 1937 Firefighters' Pension Plan

Plan Description

The City contributes to the 1937 Firefighters' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

CITY OF MARION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plans

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Annual required contribution	\$ 348,918	\$ 1,159,800	\$ 1,541,400
Interest on net pension obligation	(13,684)	614,500	798,600
Adjustment to annual required contribution	15,594	(669,800)	(870,600)
Annual pension cost	350,828	1,104,500	1,469,400
Contributions made	311,023	1,396,448	1,557,032
Increase (decrease) in net pension obligation	39,805	(291,948)	(87,632)
Net pension obligation, beginning of year	(188,743)	9,103,159	11,831,211
Net pension obligation, end of year	<u>\$ (148,938)</u>	<u>\$ 8,811,211</u>	<u>\$ 11,743,579</u>

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Contribution rates:			
City	5.50%	N/A	891%
Plan members	3%	None	6%
Actuarial valuation date	07-01-06	01-01-06	01-01-06
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	40 years	30 years	30 years
Amortization period (from date)	07-01-97	01-01-05	01-01-05
Asset valuation method	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital	4 year phase in of unrealized and realized capital

N/A = Not applicable

Actuarial Assumptions

Investment rate of return	7.25%	6%	6%
Projected future salary increases:			
Total	5%	4%	4%
Attributed to inflation	4%	4%	4%
Attributed to merit/seniority	1%	0%	0%
Cost-of-living adjustments	2%	2.75/4%*	2.75/4%*

* 2.75% converted members; 4% nonconverted members

CITY OF MARION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 266,525	100%	\$ (181,051)
	06-30-05	277,580	103%	(188,743)
	06-30-06	350,828	89%	(148,938)
1925 Police Officers' Pension Plan	12-31-03	1,637,800	44%	8,129,004
	12-31-04	1,702,500	43%	9,103,159
	12-31-05	1,104,500	126%	8,811,211
1937 Firefighters' Pension Plan	12-31-03	2,122,200	41%	10,594,931
	12-31-04	2,139,000	42%	11,831,211
	12-31-05	1,469,400	106%	11,743,579

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2007, was comprised of the following:

	1925 Police Officers' Pension	1937 Firefighters' Pension
Retirees and beneficiaries currently receiving benefits	63	78
Current active employees	-	4

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

CITY OF MARION
NOTES TO FINANCIAL STATEMENTS
(Continued)

PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2007, 2006, and 2005, were \$1,361,264, \$1,204,769, and \$1,050,663, respectively, equal to the required contributions for each year.

CITY OF MARION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 5,854,545	\$ 6,026,559	\$ (172,014)	97%	\$ 5,567,291	(3%)
07-01-05	6,079,068	6,935,712	(856,644)	88%	5,630,762	(15%)
07-01-06	7,154,625	7,475,880	(321,255)	96%	5,864,730	(5%)

1925 Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-01	\$ 646,351	\$ 18,945,500	\$ (18,299,149)	3%	\$ 64,100	(28,548%)
01-01-02	1,327,716	17,755,900	(16,428,184)	7%	66,000	(24,891%)
01-01-03	1,511,294	15,488,000	(13,976,706)	10%	66,000	(21,177%)
01-01-04	1,183,872	18,345,700	(17,161,828)	6%	70,600	(24,309%)
01-01-05	751,351	16,840,600	(16,089,249)	4%	No covered payroll	
01-01-06	1,042,247	16,221,000	(15,178,753)	6%	No covered payroll	

1937 Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-01	\$ 631,274	\$ 24,368,000	\$ (23,736,726)	3%	\$ 219,800	(10,799%)
01-01-02	1,517,394	23,305,600	(21,788,206)	7%	226,300	(9,628%)
01-01-03	1,664,171	19,005,000	(17,340,829)	9%	265,600	(6,529%)
01-01-04	1,249,868	22,879,500	(21,629,632)	5%	242,200	(8,930%)
01-01-05	701,054	21,570,800	(20,869,746)	3%	207,600	(10,053%)
01-01-06	916,043	20,865,800	(19,949,757)	4%	173,000	(11,532%)

CITY OF MARION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CONTRIBUTIONS FROM THE
EMPLOYER AND OTHER CONTRIBUTING ENTITIES

	Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	
			City	State
1925 Police Officers' Pension Plan	12-31-00	\$ 1,923,900	27%	32%
	12-31-01	1,924,400	26%	63%
	12-31-02	1,872,200	26%	40%
	12-31-03	1,962,900	3%	33%
	12-31-04	2,112,400	3%	31%
	12-31-05	1,159,800	61%	59%
1937 Firefighters' Pension Plan	12-31-00	\$ 2,429,400	22%	29%
	12-31-01	2,510,000	26%	60%
	12-31-02	2,492,000	20%	37%
	12-31-03	2,543,700	3%	31%
	12-31-04	2,673,200	3%	31%
	12-31-05	1,541,400	46%	55%

CITY OF MARION
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For The Year Ended December 31, 2007

	Motor Vehicle Highway	Local Road and Street	Aviation Commission	Park Nonreverting Operating	Park and Recreation	Law Enforcement Continuing Education	Animal Control
Receipts:							
Taxes	\$ 369,319	\$ -	\$ 286,430	\$ -	\$ 930,205	\$ -	\$ -
Licenses and permits	5,350	-	-	-	-	6,470	1,080
Intergovernmental	1,200,715	278,979	21,083	-	68,754	-	-
Charges for services	-	-	-	149,358	-	19,789	-
Fines and forfeits	-	-	-	-	-	405	-
Other	4,247	-	-	72,668	-	-	-
Total receipts	1,579,631	278,979	307,513	222,026	998,959	26,664	1,080
Disbursements:							
General government	-	-	261,548	-	-	-	-
Public safety	-	-	-	-	-	60,313	-
Highways and streets	1,762,530	446,859	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	298,570	880,236	-	-
Debt service:							
Principal	50,201	8,735	-	-	-	-	-
Interest	4,924	1,006	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Total disbursements	1,817,655	456,600	261,548	298,570	880,236	60,313	-
Excess (deficiency) of receipts over disbursements	(238,024)	(177,621)	45,965	(76,544)	118,723	(33,649)	1,080
Other financing sources (uses):							
Transfers in	-	-	-	-	300,000	-	-
Transfers out	-	-	-	-	(300,000)	-	-
Other receipts	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(238,024)	(177,621)	45,965	(76,544)	118,723	(33,649)	1,080
Cash and investment fund balance - beginning	941,390	219,331	151,116	84,588	245,026	41,866	201
Cash and investment fund balance - ending	\$ 703,366	\$ 41,710	\$ 197,081	\$ 8,044	\$ 363,749	\$ 8,217	\$ 1,281
<u>Cash and Investment Assets - December 31</u>							
Cash and investments	\$ -	\$ -	\$ 197,081	\$ -	\$ -	\$ 8,217	\$ 1,281
Restricted assets:							
Cash and investments	703,366	41,710	-	8,044	363,749	-	-
Total cash and investment assets - December 31	\$ 703,366	\$ 41,710	\$ 197,081	\$ 8,044	\$ 363,749	\$ 8,217	\$ 1,281
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
Highways and streets	\$ 703,366	\$ 41,710	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	-	-	-	8,044	363,749	-	-
Debt service	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-
Unrestricted	-	-	197,081	-	-	8,217	1,281
Total cash and investment fund balance - December 31	\$ 703,366	\$ 41,710	\$ 197,081	\$ 8,044	\$ 363,749	\$ 8,217	\$ 1,281

CITY OF MARION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Economic Development Commission	Unsafe Building	Reduce Drunk Driving	Environmental Public Nuisance	Abandoned Vehicle	Victims Advocacy Grant	Emergency Gas Award
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	75	-	-	-	-	-	-
Intergovernmental	-	-	34,068	-	-	33,056	-
Charges for services	-	28,642	-	6,448	450	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	75	28,642	34,068	6,448	450	33,056	-
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	25,295	32,210	6,983	3,376	28,815	-
Highways and streets	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Total disbursements	-	25,295	32,210	6,983	3,376	28,815	-
Excess (deficiency) of receipts over disbursements	75	3,347	1,858	(535)	(2,926)	4,241	-
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	75	3,347	1,858	(535)	(2,926)	4,241	-
Cash and investment fund balance - beginning	4,368	6,793	5,216	5,184	6,592	(898)	2,900
Cash and investment fund balance - ending	<u>\$ 4,443</u>	<u>\$ 10,140</u>	<u>\$ 7,074</u>	<u>\$ 4,649</u>	<u>\$ 3,666</u>	<u>\$ 3,343</u>	<u>\$ 2,900</u>
<u>Cash and Investment Assets - December 31</u>							
Cash and investments	\$ 4,443	\$ 10,140	\$ 7,074	\$ 4,649	\$ 3,666	\$ 3,343	\$ 2,900
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - December 31	<u>\$ 4,443</u>	<u>\$ 10,140</u>	<u>\$ 7,074</u>	<u>\$ 4,649</u>	<u>\$ 3,666</u>	<u>\$ 3,343</u>	<u>\$ 2,900</u>
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-
Unrestricted	4,443	10,140	7,074	4,649	3,666	3,343	2,900
Total cash and investment fund balance - December 31	<u>\$ 4,443</u>	<u>\$ 10,140</u>	<u>\$ 7,074</u>	<u>\$ 4,649</u>	<u>\$ 3,666</u>	<u>\$ 3,343</u>	<u>\$ 2,900</u>

CITY OF MARION
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For The Year Ended December 31, 2007
(Continued)

	Juvenile Assistance Grant	Parking Enforcement	Public Works Scrapping	AFT Grants	Supplemental Adult Probation Services	Investment Incentive Recaptured	FEMA Fire Gear
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	24,275	-
Charges for services	-	-	-	-	-	11,343	-
Fines and forfeits	-	11,186	-	-	8,828	-	-
Other	-	-	-	-	-	21,439	-
Total receipts	-	11,186	-	-	8,828	57,057	-
Disbursements:							
General government	-	-	-	-	-	32,485	-
Public safety	-	5,980	-	12,680	5,917	-	-
Highways and streets	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Total disbursements	-	5,980	-	12,680	5,917	32,485	-
Excess (deficiency) of receipts over disbursements	-	5,206	-	(12,680)	2,911	24,572	-
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	50,640	-
Total other financing sources (uses)	-	-	-	-	-	50,640	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	5,206	-	(12,680)	2,911	75,212	-
Cash and investment fund balance - beginning	221	(3,234)	688	17,836	4,218	879,023	(192)
Cash and investment fund balance - ending	<u>221</u>	<u>1,972</u>	<u>688</u>	<u>5,156</u>	<u>7,129</u>	<u>954,235</u>	<u>(192)</u>
<u>Cash and Investment Assets - December 31</u>							
Cash and investments	\$ 221	\$ 1,972	\$ 688	\$ 5,156	\$ 7,129	\$ 954,235	\$ (192)
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - December 31	<u>221</u>	<u>1,972</u>	<u>688</u>	<u>5,156</u>	<u>7,129</u>	<u>954,235</u>	<u>(192)</u>
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-
Unrestricted	221	1,972	688	5,156	7,129	954,235	(192)
Total cash and investment fund balance - December 31	<u>221</u>	<u>1,972</u>	<u>688</u>	<u>5,156</u>	<u>7,129</u>	<u>954,235</u>	<u>(192)</u>

CITY OF MARION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	IHFA Grant	Disaster Relief	IDOT	Federal Equitable Sharing Program	Justice Assistance Grant	Special Projects Engineering	Special Park Revolving
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	11,141	-	12,006	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	-	11,141	-	12,006	-	-
Disbursements:							
General government	-	-	14,739	-	-	-	-
Public safety	-	-	-	-	12,412	-	-
Highways and streets	-	-	-	-	-	591	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Total disbursements	-	-	14,739	-	12,412	591	-
Excess (deficiency) of receipts over disbursements	-	-	(3,598)	-	(406)	(591)	-
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(3,598)	-	(406)	(591)	-
Cash and investment fund balance - beginning	1,943	27,588	(4,009)	5	406	591	605
Cash and investment fund balance - ending	<u>\$ 1,943</u>	<u>\$ 27,588</u>	<u>\$ (7,607)</u>	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 605</u>
<u>Cash and Investment Assets - December 31</u>							
Cash and investments	\$ 1,943	\$ 27,588	\$ (7,607)	\$ 5	\$ -	\$ -	\$ 605
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - December 31	<u>\$ 1,943</u>	<u>\$ 27,588</u>	<u>\$ (7,607)</u>	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 605</u>
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-
Unrestricted	1,943	27,588	(7,607)	5	-	-	605
Total cash and investment fund balance - December 31	<u>\$ 1,943</u>	<u>\$ 27,588</u>	<u>\$ (7,607)</u>	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 605</u>

CITY OF MARION
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For The Year Ended December 31, 2007
(Continued)

	2006 Bond Anticipation Note	Central Indiana Ethanol	Rainy Day	2005 Revenue Refund Bond	Marion Redevelopment Bond - Dunhams	City Bond and Interest	Park Bond
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 139,991	\$ 365,635
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	196,250	447,220	100,000	-	11,312	27,438
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	12,595	-	-	60,251	-	-	-
Total receipts	12,595	196,250	447,220	160,251	-	151,303	393,073
Disbursements:							
General government	-	-	-	-	4	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	196,250	-	-	-	-	-
Economic development	-	-	-	378,593	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	105,000	-
Interest	150,155	-	-	309,775	-	87,301	126,139
Capital outlay:							
General government	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Total disbursements	150,155	196,250	-	688,368	4	192,301	126,139
Excess (deficiency) of receipts over disbursements	(137,560)	-	447,220	(528,117)	(4)	(40,998)	266,934
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(137,560)	-	447,220	(528,117)	(4)	(40,998)	266,934
Cash and investment fund balance - beginning	361,827	-	-	1,599,782	4	190,357	35,153
Cash and investment fund balance - ending	\$ 224,267	\$ -	\$ 447,220	\$ 1,071,665	\$ -	\$ 149,359	\$ 302,087
<u>Cash and Investment Assets - December 31</u>							
Cash and investments	\$ -	\$ -	\$ 447,220	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and investments	224,267	-	-	1,071,665	-	149,359	302,087
Total cash and investment assets - December 31	\$ 224,267	\$ -	\$ 447,220	\$ 1,071,665	\$ -	\$ 149,359	\$ 302,087
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	-	-	-	-	-	-	-
Debt service	-	-	-	1,071,665	-	149,359	302,087
Construction	224,267	-	-	-	-	-	-
Unrestricted	-	-	447,220	-	-	-	-
Total cash and investment fund balance - December 31	\$ 224,267	\$ -	\$ 447,220	\$ 1,071,665	\$ -	\$ 149,359	\$ 302,087

CITY OF MARION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Cumulative Capital Improvement	CREED Roadway	Airport Capital Improvement	Washington Street Economic Development	Cumulative Capital Development	Water Loop Improvements	Totals
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 349,978	\$ -	\$ 2,441,558
Licenses and permits	-	-	-	-	-	-	12,975
Intergovernmental	110,008	-	105,242	-	27,125	-	2,708,672
Charges for services	-	-	51,418	-	-	-	267,448
Fines and forfeits	-	-	-	-	-	-	20,419
Other	-	-	4,100	-	-	43,579	218,879
Total receipts	110,008	-	160,760	-	377,103	43,579	5,669,951
Disbursements:							
General government	-	-	-	-	-	39,891	348,667
Public safety	-	-	-	-	-	-	193,981
Highways and streets	-	-	-	-	-	-	2,406,230
Economic development	-	-	-	20,862	-	-	399,455
Culture and recreation	-	-	-	-	27,852	-	1,206,658
Debt service:							
Principal	-	-	28,763	-	85,000	-	277,699
Interest	-	-	8,050	-	54,381	-	741,731
Capital outlay:							
General government	67,725	-	106,475	-	-	-	174,200
Highways and streets	76,202	-	-	-	166,598	-	242,800
Total disbursements	143,927	-	143,288	20,862	333,831	39,891	5,991,421
Excess (deficiency) of receipts over disbursements	(33,919)	-	17,472	(20,862)	43,272	3,688	(321,470)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	300,000
Transfers out	-	-	-	-	-	-	(300,000)
Other receipts	-	-	-	20,862	-	-	71,502
Total other financing sources (uses)	-	-	-	20,862	-	-	71,502
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(33,919)	-	17,472	-	43,272	3,688	(249,968)
Cash and investment fund balance - beginning	138,219	156	130,653	256	575,262	1,921	5,672,952
Cash and investment fund balance - ending	<u>\$ 104,300</u>	<u>\$ 156</u>	<u>\$ 148,125</u>	<u>\$ 256</u>	<u>\$ 618,534</u>	<u>\$ 5,609</u>	<u>\$ 5,422,984</u>
<u>Cash and Investment Assets - December 31</u>							
Cash and investments	\$ 104,300	\$ 156	\$ -	\$ 256	\$ 618,534	\$ -	\$ 2,405,003
Restricted assets:							
Cash and investments	-	-	148,125	-	-	5,609	3,017,981
Total cash and investment assets - December 31	<u>\$ 104,300</u>	<u>\$ 156</u>	<u>\$ 148,125</u>	<u>\$ 256</u>	<u>\$ 618,534</u>	<u>\$ 5,609</u>	<u>\$ 5,422,984</u>
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 745,076
Culture and recreation	-	-	-	-	-	-	371,793
Debt service	-	-	-	-	-	-	1,523,111
Construction	-	-	148,125	-	-	5,609	378,001
Unrestricted	104,300	156	-	256	618,534	-	2,405,003
Total cash and investment fund balance - December 31	<u>\$ 104,300</u>	<u>\$ 156</u>	<u>\$ 148,125</u>	<u>\$ 256</u>	<u>\$ 618,534</u>	<u>\$ 5,609</u>	<u>\$ 5,422,984</u>

CITY OF MARION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 INTERNAL SERVICE FUNDS
 As of and for the Year Ended December 31, 2007

	Group Gasoline	Insurance Reserve	Totals
Operating receipts:			
Other	\$ 323,150	\$ 4,229,130	\$ 4,552,280
Operating disbursements:			
Cost of sales and services	310,423	-	310,423
Insurance benefits	<u>-</u>	<u>4,394,570</u>	<u>4,394,570</u>
Total disbursements	<u>310,423</u>	<u>4,394,570</u>	<u>4,704,993</u>
Excess (deficiency) of receipts over disbursements	12,727	(165,440)	(152,713)
Cash and investment fund balance - beginning	<u>11,618</u>	<u>217,786</u>	<u>229,404</u>
Cash and investment fund balance - ending	<u><u>\$ 24,345</u></u>	<u><u>\$ 52,346</u></u>	<u><u>\$ 76,691</u></u>
<u>Cash and Investment Assets - December 31</u>			
Restricted assets:			
Cash and investments	<u><u>\$ 24,345</u></u>	<u><u>\$ 52,346</u></u>	<u><u>\$ 76,691</u></u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Other purposes	<u><u>\$ 24,345</u></u>	<u><u>\$ 52,346</u></u>	<u><u>\$ 76,691</u></u>

CITY OF MARION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PENSION TRUST FUNDS
 For The Year Ended December 31, 2007

	Firefighters' Pension	Police Pension	Totals
Additions:			
Contributions:			
Employer	\$ 1,578,671	\$ 990,820	\$ 2,569,491
Other	<u>-</u>	<u>3,151</u>	<u>3,151</u>
Total additions	<u>1,578,671</u>	<u>993,971</u>	<u>2,572,642</u>
Deductions:			
Benefits	1,593,336	1,063,740	2,657,076
Administrative and general	<u>5,558</u>	<u>9,013</u>	<u>14,571</u>
Total deductions	<u>1,598,894</u>	<u>1,072,753</u>	<u>2,671,647</u>
Deficiency of total additions under total deductions	(20,223)	(78,782)	(99,005)
Cash and investment fund balance - beginning	<u>820,436</u>	<u>752,540</u>	<u>1,572,976</u>
Cash and investment fund balance - ending	<u><u>\$ 800,213</u></u>	<u><u>\$ 673,758</u></u>	<u><u>\$ 1,473,971</u></u>

CITY OF MARION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For The Year Ended December 31, 2007

	Fire Department Donation	Police Department Donation	City Donation	Totals
Additions:				
Contributions:				
Other	\$ 1,020	\$ 15,491	\$ 1,245	\$ 17,756
Deductions:				
Administrative and general	7,298	15,296	955	23,549
Excess (deficiency) of total additions over total deductions	(6,278)	195	290	(5,793)
Cash and investment fund balance - beginning	9,862	9,463	3,561	22,886
Cash and investment fund balance - ending	<u>\$ 3,584</u>	<u>\$ 9,658</u>	<u>\$ 3,851</u>	<u>\$ 17,093</u>

CITY OF MARION
COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
AGENCY FUNDS
For The Year Ended December 31, 2007

	City Clerk	City Court Probation	User Fee	Payroll	1977 Fire Pension	1977 Police Pension
Additions:						
Agency fund additions	\$ 672,650	\$ 62,610	\$ 7,041	\$ 13,588,630	\$ 168	\$ 5,577
Deductions:						
Agency fund deductions	<u>684,727</u>	<u>62,610</u>	<u>-</u>	<u>13,596,277</u>	<u>16,330</u>	<u>12,230</u>
Excess (deficiency) of total additions over total deductions	(12,077)	-	7,041	(7,647)	(16,162)	(6,653)
Cash and investment fund balance - beginning	<u>143,683</u>	<u>-</u>	<u>12,184</u>	<u>57,513</u>	<u>16,162</u>	<u>6,653</u>
Cash and investment fund balance - ending	<u>\$ 131,606</u>	<u>\$ -</u>	<u>\$ 19,225</u>	<u>\$ 49,866</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MARION
COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
AGENCY FUNDS
For The Year Ended December 31, 2007
(Continued)

	Court Costs and Fines Due State	Court Costs Due County	Employees Flexible Spending Account	TIF Allocation	Totals
Additions:					
Agency fund additions	\$ 28,032	\$ 41,324	\$ 117,680	\$ 861,988	\$ 15,385,700
Deductions:					
Agency fund deductions	30,904	41,068	109,271	414,929	14,968,346
Excess (deficiency) of total additions over total deductions	(2,872)	256	8,409	447,059	417,354
Cash and investment fund balance - beginning	2,567	2,636	68,493	354,338	664,229
Cash and investment fund balance - ending	<u>\$ (305)</u>	<u>\$ 2,892</u>	<u>\$ 76,902</u>	<u>\$ 801,397</u>	<u>\$ 1,081,583</u>

CITY OF MARION
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2007

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Dump trucks	\$ 13,200	\$ 13,363
Street sweeper	82,326	28,400
Dura-patcher	18,543	9,740
Fire pumper	244,214	67,585
Notes and loans payable:		
Aviation hangars loan	179,101	36,814
2004 tax revenue note	272,433	133,126
2005 insurance note	1,395,000	195,957
2006 bond anticipation note	2,950,000	3,035,028
Bonds payable:		
General obligation bonds:		
2002 Pennsylvania Avenue	1,085,000	135,662
2005 COIT	6,435,000	473,912
2005 Park district	5,000,000	407,475
Total governmental activities debt	<u>\$ 17,674,817</u>	<u>\$ 4,537,062</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
2003 refunding revenue bonds	\$ 835,000	\$ 427,525
Storm Water Utility		
Loan payable:		
State revolving fund	3,672,884	340,873
Total business-type activities debt	<u>\$ 4,507,884</u>	<u>\$ 768,398</u>

CITY OF MARION
OTHER REPORT

The annual report presented herein was prepared in addition to the other official report prepared for the individual City office listed below:

City of Marion Municipal Utilities

CITY OF MARION
AUDIT RESULTS AND COMMENTS

ANNUAL REPORT

The January 1, 2007 beginning cash fund balances for six funds were different from the December 31, 2006, ending cash fund balances, as presented in the Annual Financial Reports (CTAR-2) for 2007 and 2006. These cash fund balances should be consistent between years.

Fund	CTAR Balance 12-31-06	CTAR Balance 01-01-07
General	\$ 6,659,381	\$ 6,656,657
Park Nonreverting Operating	84,588	91,231
Parking Enforcement	(3,234)	(2,075)
Marion Redevelopment Bond - Dunham	4	-
Payroll	57,513	50,093
Firefighters' Pension	820,436	822,192

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were incomplete. The primary city checking account ("Bank 4") contained unrecorded adjustments from the prior year; the outstanding check list contained checks that had already cleared the bank or had been voided; and an unidentified variance of \$100,108 was being carried. In addition, the bank reconciliations were not timely.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

FUND SOURCES AND USES

On June 30, 2007, the special County Economic Development Income Tax (CEDIT) State distribution was receipted into the Rainy Day Fund, as required by Indiana Code 6-3.5-7-17.3. The Rainy Day Fund has not been officially established by local ordinance, and as a result, the city has not defined the lawful purposes for which these funds may be used.

Indiana Code 36-1-8-5.1 states in part:

- (a) A political subdivision may establish a rainy day fund by the adoption of:
 - (1) An ordinance, in the case of a county, city or town . . .
- (b) An ordinance or a resolution adopted under this section must specify the following:
 - (1) the purposes of the rainy day fund. . . ."

CITY OF MARION
AUDIT RESULTS AND COMMENTS
(Continued)

ORDINANCES AND RESOLUTIONS

Collections from Splash House entry fees (\$83,454) were receipted into the Park Nonreverting Operating Fund. The City has adopted General Ordinance 5-2006 that established a nonreverting operating fund for the Department of Parks and Recreation. Section V of that ordinance states: "Money in the form of admission fees procured from a municipal operated pool or similar facilities requiring major expenditures for management and maintenance shall be deposited in the Park General Fund, and will not be part of a NON-REVERTING FUND."

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONDITION OF RECORDS - PARK DEPARTMENT

Financial records presented for audit of the Splash House entry fees and concession sales were incomplete. Daily cash register tapes and collection reports did not always agree. The records presented did not provide sufficient information to establish receipts, or the accuracy of the transactions.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COLLECTION OF AMOUNTS DUE - REDEVELOPMENT LOAN RECEIVABLE

In 2002, the Redevelopment Commission loaned NX Communications \$200,000. As of May 1, 2008, the outstanding loan balance is \$161,041. Due to bankruptcy, this loan balance is not expected to be repaid to the City.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS

The Motor Vehicle Highway Fund expenditures exceeded budgeted appropriations by \$20,152.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

CITY OF MARION
AUDIT RESULTS AND COMMENTS
(Continued)

SALES TAX

Check 1044, dated June 20, 2007, was paid to "Recreonics, Inc.," for \$5,261.59 from the 2005 Park Bond Construction Fund. Included in this payment was \$282.72 for state sales tax.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPORTING DOCUMENTATION

Several payments for credit card purchases were observed that lacked adequate supporting documentation, such as receipts, invoices, and other public records. Numerous meal claims were paid on the basis of a credit card slip only. A detailed billing of the meal purchased did not accompany the credit card slip. Other unsupported claims included lodging and airfare purchases.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Payments should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipt must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONDITION OF RECORDS - PAYROLL FUND

Financial records presented for audit were not reflective of the activity of the Payroll Fund. The records presented did not provide sufficient information to identify beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions. A similar comment appeared in prior Report B30181.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF MARION
AUDIT RESULTS AND COMMENTS
(Continued)

PENALTIES AND INTEREST

Penalty and interest totaling \$5,406 were paid to the Internal Revenue Service on February 13, 2007, for the late remittance of payroll withholdings for the quarter ending September 30, 2006.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS

The City was not able to provide detailed records to support the report of its capital assets. No descriptions, amounts or locations of the machinery and equipment, land, buildings, improvements other than buildings, or infrastructure were presented.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

EMPLOYEE SERVICE AND ATTENDANCE RECORDS

Numerous employee service records (history of vacation, sick, and other time off) were not available for audit. Also, attendance records were not maintained by several employees and "Request for Leave of Absence" forms were not filed by employees required to do so. The City's Personnel Policy and Procedure Manual, Section 4.04 A.1., states that: "All Non-FLSA exempt employees are required to record all hours worked . . ." Section 4.07 B.1 states: "Exempt employees shall submit a "Request For Leave of Absence" to the Mayor or Department Head for approval for any absence of one (1) full day or more and designate the type of leave accrual from which the time is to be deducted."

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
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Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE CITY OF MARION, GRANT COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Marion (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2007. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2007.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in a City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

This report is intended solely for the information and use of the City's management, Common Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 9, 2008

CITY OF MARION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2007

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct Grant			
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	B-05-SP-IN-0473 B-06-SP-IN-0344	\$ 327,360 495,000
Total for federal grantor agency			822,360
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Pass-Through Indiana Criminal Justice Institute			
Crime Victim Assistance	16.575	06VA041 07VA033	16,528 12,286
Total for program			28,814
Pass-Through Grant County			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005DJBX1196 2006-FO-869-IN-DJ	406 12,006
Total for program			12,412
Total for federal grantor agency			41,226
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Department of Transportation			
Federal Transit Cluster			
Federal Transit - Formula Grants	20.507	1802506O	387,732
Operating Assistance		18Y2506O	2,361
Fare Rebate		18Y2506C	9,600
Administration and Marketing			
Total for cluster			399,693
Pass-Through Indiana Criminal Justice Institute			
Highway Safety Cluster			
State and Community Highway Safety	20.600	PT-07-04-01-22 PT-08-04-01-20	7,470 3,500
Total for cluster			10,970
Direct Grant			
Airport Improvement Program	20.106	3-18-0053-11 3-18-0053-12 3-18-0053-13	51,650 49,556 725,651
Total for program			826,857
Total for federal grantor agency			1,237,520
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana Department of Homeland Security			
Disaster Grants - Public Assistance	97.036	EM 3274	34,922
Total for federal grantor agency			34,922
Total federal awards expended			\$ 2,136,028

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF MARION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Marion (City) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

II. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows for the year ended December 31, 2007:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>2007</u>
Community Development Block Grants/ Brownfields Economic Development Initiative	14.246	<u>\$ 822,360</u>

CITY OF MARION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Control deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted?	no
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Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Control deficiencies identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no
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Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.246	Community Development Block Grants/ Brownfields Economic Development Initiative

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	yes
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Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF MARION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF MARION
EXIT CONFERENCE

The contents of this report were discussed on June 9, 2008, with Wayne W. Seybold, Mayor; Cindy Wright, Controller; and Stacy Henderson, Chief of Staff.